

Message Text

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ACTION ARA-10

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FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC 1995

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

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E.O. 11652: N/A

TAGS: EINV, ECON, ES

SUBJECT: DRAFT INSURANCE LAW

REF: (A) SAN SALVADOR 3777 (B) STATE 212640

1. THIS MORNING, ACCOMPANIED BY COMATT, I MADE DEMARCHE
PORPOSED IN REFTEL A TO FOREIGN MINISTER BORGONOVO PER
INSTRUCTIONS REFTEL B. IN ADDITION I MENTIONED THAT US
INSURANCE COMPANIES HERE FAVORED GRANDFATHER CLAUSE AND
HAD REPORTEDLY PROPOSED THIS COLUTION TO SALVADORAN
AUTHORITIES, APPARENTLY WITHOUT SUCCESS.

2. AFTER PERFUNCTORY ATTEMPT TO JUSTIFY DIVESTMENT
OF FOREIGN INSURANCE FIRMS AS A MEANS OF AVOIDING NATIONAL-
IZATION OF THE ENITRE INSURANCE INDUSTRY, I.E. THE GREATER
THE DEGREE OF SALVADORAN OWNERHSIP, THE LESS THE TEMPTATION
TO NATIONALIZE, THE FOREIGN MINISTER CANDIDLY ACKNOWLEDGED
THE LOGIC OF THE DEMARCHE AND, ON THE SPOT,
TELEPHONED THE MINISTER OF ECONOMY.

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3. IN CONVERSATION WITH MINISTER OF ECONOMY, FOREIGN

MINISTER REITERATED, ALMOST VERBATIM, OUR TALKING POINTS AND ADDED, FROM HIS OWN EXPERIENCE AS A SALVADORAN BUSINESSMAN, OPINION THAT SALVADORAN INSURANCE COMPANIES WOULD TEND TO BECOME LESS RESPONSIVE TO CLIENTELE IF COMPETITIVE FOREIGN INSURANCE FIRMS WERE FORCED OUT OF MARKET. FOREIGN MINISTER CONCLUDED BY SAYING THAT HE PERSONALLY FELT 80 PERCENT LOCAL EQUITY WAS TOO HIGH.

4. MINISTER OF ECONOMY, ACCORDING TO FOREIGN MINISTER, EXPRESSED SURPRISE OVER EMBASSY'S DEMARCHE INASMUCH AS CURRENT DRAFT VERSION HAD RECEIVED QUOTE WIDE CIRCULATION WITH NO STRONG OPPOSITION UNQUOTE. MINISTER OF ECONOMY WENT ON TO POINT OUT THAT ROYAL INSURANCE COMPANY (UK) HAD ALREADY SUBMITTED PROPOSAL TO FORM SALVADORAN COMPANY IN ACCORDANCE WITH 80 PERCENT SALVADORAN AND 20 PERCENT FOREIGN EQUITY PROVISIONS OF CURRENT VERSION DRAFT LAW.

5. THIS REVELATION CAME AS A SURPRISE TO US SINCE LOCAL REPRESENTATIVES OF US INSURANCE FIRMS HAD INFORMED US THAT ROYAL INSURANCE COMPANY HAD FORMED A LOCAL SALVADORAN FIRM, BUT WITH 80 PERCENT FOREIGN AND 20 PERCENT SALVADORAN EQUITY. A SUBSEQUENT CHECK WITH THE PRESIDENT OF ROYAL VERIFIED THE MINISTER'S ACCOUNT, I.E., 80 PERCENT SALVADORAN AND 20 PERCENT FOREIGN. THIS UNANTICIPATED DEVELOPMENT REPRESENTS A SETBACK FOR U.S. INSURANCE FIRMS.

6. FURTHERMORE, AS A RESULT OF CHANCE MEETING LATER IN MORNING, ASST. MANAGER OF PANAMERICAN LIFE INSURANCE COMPANY HERE VOLUNTEERED OBSERVATION THAT HIS COMPANY PREPARED QUOTE TO ROLL WITH PUNCHES UNQUOTE LEADING US BACK TO AN EARLIERIMPRESSION THAT LOCAL REPRESENTATIVES OF US INSURANCE FIRMS RECONCILED TO LIVING WITH LAW, WHILE AT SAME TIME PRESSURING FOR ACTION FROM HOME OFFICE VIA STATE DEPARTMENT.

7. NONETHELESS, WE BELIEVE OUR APPROACH SOUND ON BEHALF OF US INVESTMENT IN EL SALVADOR AND ARE MODERATELY OPTIMISTIC THAT DEMARCHE MAY EFFECT POSITIVE RESULT ESPECIALLY IN VIEW OF FOREIGN MINISTER'S MANIFEST SUPPORT.

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8.AT END OF THE MEETING, FOREIGN MINISTER VOLUNTEERED TO FOLLOW-UP HIS TELCON WITH A MEMO TO THE MINISTER OF ECONOMY AND INDICATED HE WOULD GET BACK TO CHARGE AS SOON AS POSSIBLE.

9. COMATT WILL BRIEF LOCAL REPRESENTATIVES OF US INSURANCE FIRMS ON DEMARCHE AND RESULTING INFORMATION.

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